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FINANCING LOCAL GOVERNMENT AUTHORITIES IN KENYA.

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Local governments as one of the levels of governmen expected to join the efforts of the national government to i rease the level of development expenditures. The contribution of local goverrments in the national effort to increase development expenditures depends on the functions which have been allocated to them and the effectiveness with which these functions are performed. One of the major factors likely to influence the effectiveness with which local governments perform their functions, is the state of their finances. If the financial position of the local governments is weak, it can be expected that they will not perform their functions effectively, thereby reducing their contribution to the development process. There are other ways in which the ineffectiveness of local governments may have detrimental effects. Local governments are supposed to add to the overall government efficiency by reducing the costs of excessive centralisation. Furthermore, by bringing the government closer to the people, the sense of self government and self determination are enhanced, with greater commitment of the populace to governmental efforts. Ineffective local government will result in the loss of the above benefits.

In this paper, an attempt will be made to investigate the major factors which determine the revenue yields of local authorities in Kenya and the extent to which these revenues are adequate to the responsibilties which have been assigned to local authorities. Suggestions will be made where appropriate as to ways of increasing the revenue yields of local governments. For the purpose of our study, our analysis will be limited to the period from 1964 - 1969. Following national independence in December 1963, the territorial jurisdictions of many local authorities were significantly changed starting from January 1st 1964. It is therefore not possible to have a consistent series that goes back beyond 1964. While it would be advantageous to conduct a projection study for the period after 1969, the time constraint under which we were operating, made this impracticable. Nevertheless, a study of the 1964 - 1969 period should be helpful in suggesting courses of action for the future.

Patterns and Significance of Local Government Expenditure.

Inorder to have a full appreciation of the financial problems of local governments, it is essential to realise the pattern of ment process. Local governments in Kenya as elsewhere, are controlled by the central government as to what functions they can undertake. The powers of local government are set out in the Local Government Regulations 1963 with subsquent amendments (1) The expenditure patterns of local governments in Kenya derive from these regulations, although there are many expenditures which they are permitted to undertake but which they are not currently undertaking. These items are however not very critical or even relevant for Kenya's present stage of development.

As a result of significant differences in the structure of urban and rural economies, it is essential to distinguish between local governments in urban areas and in rural areas. In Kenya, there are three tiers of local governments. The Municipal councils, which refer to local governments in major urban centres are 7 in number (Nairobi, Mombasa, Nakuru, Kisumu, Thika, Eldoret and Kitale). There are 33 county councils corresponding in most cases to Provincial districts, 18 Urban Councils and 54 Area Councils. The Urban and area councils fall under the jurisdiction of county councils and in most cases their accounts are integrated with those of the County Councils. In any case the expenditures of the urban and area councils are usually very small. For the purpose of our study, we shall follow two main categories of councils; the Municipal councils, and the County councils which embrace the area and urban councils.

Municipal Councils, especially the largest ones like Nairobi and Mombasa, undertake a very wide range of expenditures. The most important functions, however, include the provision of rental houses, primary education, health facilities (usually Clinics, health centres, and dispensaries rather than hospitals which are centrally controlled) sanitory services, roads, water supply, markets and slaughter houses, breweries, and beershops. Although in theory, municipal councils may provide urban transportation services, this is at present being privately provided although Nairobi City Council has shares in the Kenya Bus Company which provides bus transportation in the Municipalities.

The significance of each item of expenditure in total expenditures has been changing since 1964. In 1964, primary education was the single most important expenditure item of municipalities, accounting for 13.8% of total expenditure. Roads accounted for 13% sanitory services 12.5%, health 8% water supply 10.3% housing estates 11.2%, and administration 10.3% of total expenditure, to name only the most important items. By 1969, however, housing rental turned out to be the single most important items of expenditure accounting for 30.2% of total expenditures of municipalities; education had increased its share to 14.8%, while roads, sanitory services, health, water supply, respectively accounted for about 9% each out of a total 1969 expenditure estimated at £14,972,000.

County Councils were also responsible for providing a fairly wide range of services in the 1964 - 1969 period. Primary education, however, was by far the most important item of expenditure of County councils, accounting for 55.3% of total expenditure in 1964 and increasing its significance further to 62.5% by 1969, out of an estimated expenditure of £15,916,000. Next in significance to primary education in the expenditure pattern of county councils are health and roads. Health facilities provided by county councils consisted mostly of health centres, clinics and dispensaries, since hospitals were the responsibility of the central government. Health expenditures amounted to 9.6% of the total in 1964 and 9.1% in 1969. Road expenditures were incurred by county councils mostly for the maintenance of feeder roads within the areas under their jurisdiction. These expenditures amounted to 10.8% of the total in 1964 and by 1969 had declined to 8.9% of total expenditures. Other services provided by County councils between 1964 and 1969 included markets and slaughter houses, water supply, sanitory services (mostly in the urban centres within county councils) Veterinary services (usually the sale of drugs and vaccines and the spraying and dipping of cattle) agricultural services (involving sale of seedlings mostly) breweries and beershops, and forestry. The services just mentioned, however, are of relatively little significance because, for example in 1969, education, roads, and health accounted for 80.5% of total expenditures of £15.9 million, administration accounted for another 9.1%, so that all other services combined accounted for only about 10% of total county council expenditure, valued at £1.6 million.

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Partly as a result of the financial problems facing county councils during the period under study, (to be discussed later) they were able to provide their services at only an unsatisfactory level. The Central government felt compelled in the interest of providing more satisfactory services to take over the major responsibilities of the County Councils /2/. Starting from January 1st 1970, the Central government took over the responsibility for providing primary education, roads, and health or about 80% of the expenditure of County councils. Since it can be argued that administration expenditures for the remaining reduced services should be reduced proportionately, it can be concluded that expenditures by local councils after January 1st 1970 should be at about 12% of the 1969 level. To all intents and purposes it can be concluded that local government in the country areas is dead so long as these services have been withdrawn from their control, since their main revenue sources (to be discussed later) graduated personal tax, School fees and government grants have been withheld as well (about 80% of their to tal revenues).

From the preceding paragraphs, it can be seen that local governments were delegated functions which were critical for development (especially those relating to primary educations, roads, health and housing) /3/ The efficient execution of their functions was therefore highly significant for the development process especially in the rural areas. Another way of judging the significance of local government expenditures is to examine the weight of their expenditures in total government expenditures. Of the four most important functions of local governments, educational expenditures by local authorities amounted to 47.4% of total educational expenditures of all government levels in Kenya in 1964, and 40.0% in 1969. Health expenditures by all local authorities amounted to 26.7% of all government levels expenditure on health in 1964 and 27.7% in 1969. In the area of roads and transport, the local authorities accounted for 37.9% of total government expenditures in 1964 and 17.1% in 1969. Since rental houses were supplied mostly by municipalities, although with financial assistance from the central government, it can be concluded that the local governments were practically responsible for all rental houses (distinction should be made here between staff housing, of which the central government was involved and provision of rental houses for the general public - a preserve of local government). The weight of overall local government expenditures can be gauged by the fact total expenditures both recurrent and capital amounted to £17.5 million in 1964, or about 25% of Central government recurrent and development expenditure while by 1969, this figure had increased to £30.9 million or 25% of Central government expenditure.

Of particular interest for the development process is the extent to which local governments contribute to total capital formation. Inorder for the local governments to maintain or improve the quality of their services in the face of increasing population, it is essential that local government increase the extent of their capital formation so as to expand the scope of their services. In 1964, all local governments were responsible only for £1.4 million worth of capital formation or only 3.2% of gross domestic capital formation. However, this was an unusually low level of capital formation. Capital formation in the public sector had fallen considerably in the late 1950's and early 1960's because of political uncertainty. Although local government capital formation was only £1.4 million in 1964, it amounted to 13.0% of total Capital formation in the public sector or 25.4% of Central government capital formation. There has been, however, a very rapid increase in total capital formation by local councils since 1964, with the total increasing steadily from £1.4 million in 1964 to £4.7 million in 1969. By 1969, the local authorities were responsible for 4.9% of gross domestic capital formation or 14.9% of gross capital formation in the total public sector or equal to 20.2% of capital formation of the central government. While the above record of local government capital formation is not startling, it does show that local governments were making a noticeable contributions to public sector capital formation. However, it should be noted that most of the capital formation of all local governments was carried out by Municipal councils. Out of the 1969 total of £4.7 million in capital formation by all local governments the county councils only contributed £0.7 million.... The contribution of county councils to capital formation was usually less than £0.5 millions from 1964 - 1968. This serves to underline further the weak financial position of the county councils, as will be shown in later discussion.

The Financial Position of Local Governments

A rough measure of the financial position of local governments indicating whether their positions are weak or strong can be derived from the surpluses or deficits shown in their accounts. Since local governments do not have the responsibility for stabilising income or the power of deficit financing through money creation, all their sources of revenue (i.e recurrent revenues and loans for capital expenditure) should equal or exceed their total expenditures (recurrent and capital) inorder to show a relatively satisfactory financial position. An examination of the total expenditures and revenues of local governments in Kenya shows that there has been a very rapid expansion of both expenditures and revenues since 1964. The total revenues of Municipal councils increased 41.6% in 5 years from £9,467,000 in 1964 to £13,403,000 in 1969. Total expenditures increased even faster than revenue, from £8,567,000 in 1964 to £14,973,000 in 1969 (74.7% growth in 5 years). This rapid expansion of expenditures has been necessitated by the rapid growth of population in the Municipalities and the need to prevent the standard of services from falling. However, the rapid development of shanty towns especially around Nairobi, shows that the standard of Municipal services has fallen in the total area under the jurisdiction of Municipalities, even though standards have been kept up in the core urban areas.

As expenditures of Municipalities outpaced their revenues in growth, the financial position of Municipalities have deteriorated. The Municipalities showed fairly significant surpluses in their total accounts in 1964 and 1965. These surpluses amounted to almost £1 million a year or about 10% of total revenues. In 1966, the accounts were practically in balance, but starting in 1967 increasing deficits were incurred. In 1968 the deficit amounted to almost £2 million or 17% of revenue while in 1969 the deficit was estimated at £1.6 million or 11.7% of revenue. Since local councils have to finance their deficits from their savings or reserve accounts, the effect of these deficits has been a drawing down of reserve accounts and a reduction in the ability of municipal councils to finance further capital expansion from internal resources. These conclusions based on aggregate analysis are subject to qualification when individual cases are analysed. Taking Nairobi City Council, for example, which accounts for about 60% of total expenditures by Municipalities, although its relative capacity to finance capital expenditure from internal resources declined from 1964 to 1969 (see Table 8) it was still able to transfer as much as £160,000 from its current revenues for capital expenditure in 1969. In the case of Mombasa which accounts for about 20% of total municipal expenditure, there was a substantial deterioration in its financial position in 1968 (when it had a deficit) and in 1969 (when it had a small surplus see Table 13) although it was still in a position to finance capital expenditure from reserves built up in previous years.

These qualifications not withstanding, it is fair to say that the financial positions of municipal councils had deteriorated considerably from 1964 to 1969. In reference to the 1970 - 74 plan of the Municipalities, it is said that "The remainder of the programme costing £4.3 millions, if it is to be implemented, will have to be financed from the municipalities own resources. On present trends, several municipalities will not have any surplus from recurrent revenues to allocate to development. The Municipal councils will therefore have no alternative but to make vigorous efforts to increase local revenues from existing sources and also seek new ones, ...The municipalities must therefore press energetically to maximise existing revenue sources and develop new ones during the plan period". /47/

If the financial position of municipalities has weakened during the 1964 - 1969 period the financial position of county councils has been even worse. It should be stated, however, that both total revenues and expenditures of county councils increased at a rapid pace between 1964 and 1969. Total revenues increased 78.7% from £7,964,000 in 1964 to an estimated £14,230,000 in 1969. Total expenditures increased almost as rapidly as revenues increasing 77.4% from £8,970,000 in 1964 to an estimated £15,916,000 in 1969. Unlike the Municipal councils which had surpluses in their accounts in 1964 and 1965, county councils had a substantial deficit (£1 million or 12.6% of total revenue) in 1964. Although these deficits declined absolutely (to £196,000) untill 1966, they increased on average during the 1967 - 1969 period, reaching an estimated £1.7 million or 11.8% of total revenue in 1969. The County councils, thus experienced deficits in every single year from 1964 to 1969. Most of the county councils could not even equate current expenditures with current revenues, meaning that they could not finance significant capital expansion from their own resources.

Under the lending conditions of the Local Government Loans Authority which makes loans to local governments for purposes other than housing, Local governments which cannot balance their current accounts are not eligible for loans. With little internal resources of their own for capital expenditures, and with access to loan funds restricted, it is hardly surprising that County Councils have played a relatively insignificant role in capital formation. We saw earlier that County council expenditure on capital formation was less than £0.5 million annually until 1968 and the maximum attained by 1969 was only £0.7 million. Yet the need for capital expansion in the county council areas was even more pressing than in municipal areas considering the low level of development in these areas. In 1969, per capita total expenditure by county councils was only about £1.6 compared to £17.9 in municipality areas.

It is therefore essential that inorder to improve on the relatively low levels of services in the areas under county councils, financial resources devoted to expenditure on these local services should be considerably increased. The relatively low levels of capital formation in the past can simply not be acceptable because of the very low current levels of development. While it may be expected that the Central government take over of the main expenditure responsibilities of County Councils should result in a substantial improvement on the past, this remains to be seen. While it is too early to evaluate fairly the efforts of the Central government in these areas, initial signs are far from comforting. Standards seen to have fallen in health centres where drugs are increasingly difficult to obtain, and the already deficient manpower situation is being worsened with low morale and resignation among former county council staff who have been transferred to Central government service in many cases at lower rates of pay. It is to be hoped that these are only teething problems following the hand over of responsibilities, and that the situation will shortly be stabilised at a higher level of performance. If the Central government is to increase the level of expenditures in the County council areas it will still be necessary to exploit more fully the major sources of revenue of county council which have now been withdrawn. The County councils themselves will still have to increase their efforts in mobilising more revenues, as a rough analysis shows that "even for the services left to them, county councils will be unable to finance these from their remaining sources of revenue". /57

Main Sources of Revenue of Local Governments

The preceeding paragraphs have demostrated the need for a more intersive exploitation of revenue sources both at the Municipal and County council levels. However, before this can be discussed, it is essential that we should first identify the main sources of revenue for local governments. The breakdown of revenue sources is shown in Table 6 and 7. For the Municipal councils as a whole, the two most important sources of revenue are the Graduated Personal Tax (G.P.T) which accounted for about 25% of total revenues before the 50% reduction in the G.P.T. receipts of Nairobi City Council and Mombasa Municipal council (more will be said on this later) and income from rates which accounts for about 20% of total revenue. Fees and charges on the aggregate account for about a third of total revenue. The most important of these fees and charges are school fees, and charges for sewerage and cleansing. In Nairobi, water charges bring in substantial income, although this is largely offset by corresponding expenditure. In Kisumu, the Municipal dairy brings in substantial revenue, although this is again offset in large measure by expenditures. Rental income from houses also is a major source of revenue. However, it is more relevant to look at the net income of the above sources of revenue rather than the gross income. This will be attempted later. Another major source of revenue is loan money which contributed about 16% of total revenue in 1968 and 1969. The major sources of revenue for the county councils before the Central government take over, were the graduated personal tax (G.P.T) primary school fees, and government grants. The G.P.T contributed about 25% of total revenue. Government grants contributed about a third of total county council revenues from 1964 to 1969. School fees contributed about 25% annually of total county council revenue. These three sources thus contributed about 80% of total county council revenues. These sources of revenue have been withheld from county council. Cesses and licenses together contributed about 5% of total revenue from 1964 to 1969.

The other single significant source of revenue for county councils consists of net revenue derived from markets and shopping centres. Other sources of revenue but of little consequence consisted of interest on investiments, income from property (building and land rents) rates on towns in county council jurisdiction, and charges for some administrative services. Loans raised were another source of revenue although they contributed less than 1% of total revenue and were usually less than £10,000 annually until 1968 when they

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reached £30,000 with a further increase to £134,000 in 1969. Having identified the major sources of revenues for local councils, we now turn to a more detailed investigation of the factors influencing the revenue yields from each source and possibilities for improvements.

The Graduated Personal Tax (G.P.T)

The graduated personal tax as a source of local government finance was introduced in 1964 and as previously indicated, it is a major source of revenue for local government expenditures. Essentially, it is a graduated lump sum tax, the lump sum paid varying upwards depending on the tax payers income bracket. No exemptions or allowances are given to reflect differences in the family position of the taxpayer. There is, however, a statutory exemption. Only income earners who are over 18 years of age and earn an annual income of over £48 are liable to tax. Before 1968 the lowest income group was the £0 - £48 group liable to a tax of 24/- a year. This group has now been exempted from tax since 1968.

The lowest income group for G.P.T is the £48 - £96 group liable to an annual tax of 48 shillings. This tax liability is equivalent to 5.0% tax on income at the lower end of the bracket and is equivalent to 2.5% at the upper end of the bracket. The tax liability rises steadily to 600 shillings a year at incomes of £600 a year or above. Stated in terms of percentages of income, the tax liability rises from 3.3% at the midpoint of the £48 - £96 income bracket to a maximum of 4.3% at the midpoint of the £516 - £600 income group and declines thereafter. Within each income bracket, however, the percentage liability declines from the lower end of the income bracket to the upper end of the bracket. The percentage liability falls from 5.0% at £48 to 3.75% at £144 and rises gradually to 4.65% at an income of £516. At the upper end of the income brackets the percentage liability rises from 2.5% at an income of £96 to 4.0% at an income of just under £600. (For additional details see the table below

Income Bracket	Annual Tax Shs.	Average % liability at lower and upper ends of income bracket.	% liability at midpoint of bracket
48 - 96	48	5.0% - 2.5%	3.3%
96 - 144	72	3.75 - 2.5	3.0
144 - 204	108	3.75 - 2.64	3.1
204 - 312	156	3.82 - 2.5	3.0
312 - 420	240	3.85 - 2.85	3.2
420 - 516	360	4.29 - 3.48	3.8
516 - 600	480	4.65 - 4.0	4.3
600 and over	600	5% and lower	not relevant

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Table A

Source for above table: M. J. Westlake : " Taxes Specific to Coffee" MIMEO

From the preceding discussion it can be seen that the revenue yields from G.P.T., depends on the level of income, the number of people paying the tax, the distribution of income and the rate of tax. Variations in the above explanatory variables explain the growth of G.P.T revenue. Total G.P.T revenue increased by about 75% from 1964 to 1969 compared to a 50% increase in G.D.P at factor cost originating in the monetary sector or 44% for total G.D.P at factor cost. The increase in G.P.T revenue can also be explained in terms of increasing number of tax payers which increased from 830,000 in 1964 to an estimated 1,179,000 in 1968, a rate much faster than population growth, and thus reflecting improvements in administration of the tax. Tax rate changes have had no significant influence on yields since there was no tax rate change between 1964 and 1969, except for the exemption of the £0 - £48 income from tax. The administrative cost of obtaining revenue from this group seemed to exceed the revenue collected and in any case a relatively small proportion of income earners fell into this group. The effect of changes in income distribution is unknown as we could not obtain reliable information on this aspect of the problem. It can be concluded then that the growth in G.P.T was largely due to increased income, a more effective administration of the tax and probably an upward shift of tax payers into higher income brackets. Since the growth rate of the tax exceeded that of income without any significant change in statutory rules, it can also be concluded that the tax was income elastic.

When we examine the growth of G.P.T revenue in Municipal and county councils, we find that G.P.T increased only 16% from 1964 to 1969 in the municipalities while in the county councils it increased 55% from 1964 to 1969. The relatively slow growth of G.P.T in the Municipal councils is due to the decision of the Central government to withhold 50% of the G.P.T receipts of Mombasa and Nairobi councils and distribute the proceeds to the county councils which we found were in financial difficulties. Without the Central government action, G.P.T receipts in the Municipalities would actually have increased about 100% between 1964 and 1969. The deterioration in the financial position of the Municipalities in 1968 and 1969 is explainable especially for Nairobi and Mombasa because of the Central government action.

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In considering possibilities for increased revenues for local government expenditure from this source of revenue, it is our opinion that the Central goverment should rescind its decision to withhold 50% of the receipts of G.P.T revenue from Mombasa and Nairobi. While in theory a case can be made for redistribution of income from wealthier areas to poorer areas the method chosen by the Central government is idenfensible on the basis of the principles of local government finance. The finances of a local authority should reflect, the sacrifies which residents are willing to make in exchange for certain local benefits. Problems of income redistribution are national issues and are better resolved through Centrally controlled taxes. Accordingly redistribution of income to county areas is better done through grants derived from Centrally collected taxes. The scope of additional tax revenues from Central sources have hardly been exploited to capacity. /6/ The withholding of G.P.T revenue also introduces a discriminatory element among residents of municipalities.

The above considerations not with standing certain fundamental problems remain in the area of G.P.T. As shown in Table A, the

G.P.T. system is characterised by substantial regressive elements. This has the effect not only of introducing inequity into local taxation but also in reducing yields of revenue below what would be possible under a more equitable system. It cannot be argued that the regressive nature of G.P.T. is compensated for by higher taxation of higher income groups under the centrally controlled individual income taxation. For example, it is not until an income of £1200 that a married man with 4 children pays 5% of his income in both G.P.T. and income tax. The married taxpayer with 4 children at an income of £48, the lowest for G.P.T. pays as much as 5% in G.P.T, and therefore pays a higher rate of tax than all other comparable tax payers earning between £48 and £1200. This regressiveness is less for married couples with fewer children and less still for single men. It is therefore possible to make the G.P.T. more progressive without cutting into the tax receipts of the central government derivable from income tax. In making the G.P.T. more progressive, it is essential to bear the latter point in mind. Gains in G.P.T. at the expense of income tax receipts amount only to transfers from central government to local governments instead of gains in overall tax mobilisation. Any gains in G.P.T. receipts by increments in the burden of tax on married couples with 4 children up to an income of £960 does not influence the income tax receipts of the central government.

To obtain greater progressivity in the G.P.T, it is necessary that tax liabilities be calculated on a percentage basis, rather than in lump sums at different income brackets - a system that always leads to regression within the income bracket at least. To minimise the increment in overall tax burden to income groups liable to income tax, it would be desirable that G.P.T. liabilities be denominated either as a lump sum or a fixed per centage at incomes over say £1000. All taxpayers with incomes over £1000 would be required to a pay a given percentage for the first £1000 of income and would be exempt from G.P.T. on any income beyond £1000. To illustrate the above ideas we present a tentative tax schedule for G.P.T. below.

Income bracket	% tax liability
£50 - £249	5%
£250 - £499	5.5%
£500 - £749	6.0%
£750 - 999	6.5%
£1000 and above	£65 equivalent to 6.5% on the 1st £1000 and no G.P.T. thereafter.

Aminimum rate of 5% is chosen, since this is already being paid by income earners of £48. If they could bear 5%, others with higher incomes should be able to bear 5% or slightly more. The above schedule would ensure overall progressivity for combined G.P.T. and individual income tax. This of course means an increased tax liability for most tax payers which would be more significant for the income group between £600 and £1000 who have been relatively lightly taxed hitherto. The increased liability would be somewhat more significant for single men and married couples with children fewer than 4. However their overall tax liability would be still quite reasonable. If increased progressivity is desirable the broad income groups could be divided into £50 income brackets within the given 0.5% tax burden interval. The revenue effect of such a schedule would be considerable, although we cannot estimate it precisely in the absence of reliable income distribution data. As exemption limits for married couples with children are reduced or increased, the rates above could be adjusted accordingly to make overall tax burdens reasonable or to avoid the onset of regressivity in the overall income tax structure.

Another problem in G.P.T. which is of great significance, is the effectiveness of the administration of the G.P.T. As currently operated, G.P.T. is with held at source for employees. The incomes of self - employed small businessmen or proprietors is determined largely through self - declaration and occassional double checking of their account books and where there is doubt, the tax officers may estimate independently their income from indirect sources such as stocks or inventories of goods. In the county council areas, there are G.P.T. assessment committees consisting of chiefs and sub-chiefs who are assigned certain tax districts. Income is usually indirectly assessed from estimates of the wealth of the tax payer e.g. acres of coffee, number of heads of cattle etc. The overall efficiency of the tax administration, although improving as indicated by the rapid growth in total number of tax payers paying G.P.T., still leaves a lot to be desired. It is estimated that 1,179,000 people paid G.P.T. in 1968. Assuming that about 45.0% (from 1962 census) of the total population was over 18 years of age (the legal age for liability to G.P.T.) we estimate that the potential tax population was 4,734,450 in 1968. If we estimate that 10% of these had incomes of less than £48 (and therefore legally exempted from G.P.T.) we still have 4,261,005 potential tax payers. Those paying tax amounted to only 27.7% or about a quarter of potential tax payers, indicating a very high degree of tax evasion. The degree of evasion is greater (probably as high as 80%) in the county council areas because of the greater propertion of self employed in those areas. There is therefore need to increase efforts at tightening up the administration so as to reach and collect from more tax payers.

Rates

The taxation of wealth is par excellence the tax for urban communities. However, wealth is taxed differently in different parts of the world. In Kenya the taxation of wealth by urban communities (i.e. the municipalities and the urban councils under county councils) is based on the so-called system of unimproved site value. The intention is to tax only the value of the land without taxing any investments or improvements on the land - such as buildings for example. The rationale for this system follows the analysis of Ricardo and Henry George which shows that any increment in the value of land can be taxed away without any economic disincentives being created, since the supply of land is fixed and the increase in land value is due to no effort of the land owners. Furthermore if land is taxed, the land owners are forced to make productive use of the land so as to have income to meet the tax liability.

Two main factors determine the yield of income from rates; the value of the land and the percentage rate of tax. The value of the land for tax purposes depends on how frequently the land is revalued. One of the attractions of the unimproved site value system of rates is that in a developing country and especially in expanding urban centres, land values are supposed to increase rapidly. This should increase the tax base rapidly and make rates a highly income elastic source of revenue. However this has not been the experience in Kenya. From 1964 to 1969 the rate income of municipalities as a whole increased only 33.8%, lower than the growth rate of total municipal revenues and that of monetary or total G.D.P. Even the increases in revenue achieved, has been as a result of considerable increases in the percentage rate of tax. For example Kisumu Municipal Council increased its tax rate from $4\frac{3}{4}$% in 1964 to 5% in 1967 and to $7\frac{1}{2}$% in 1970. Nairobi City Council increased its tax rate from $2\frac{1}{2}$% in existence during 1964-1967 to $2\frac{3}{4}$% in 1968 and again to $3\frac{3}{4}$% in 1969. Mombasa Municipal Council increased its tax rate from $3\frac{1}{2}$%, which prevailed from 1964-1969, to 4% in 1969. Without these tax rate increases there would infact have been no significant increases in rate income. In the County Council areas rate income actually declined by 18% from 1964 to 1969.

The explanation for the relatively slow growth of rate income can be found in the fact that, contrary to theoretical expectation, the land values for tax purposes was practically unchanged because there had been no revaluations of land values. The valuation of total land for tax purposes was done between 1957 and 1959 and these values were used for tax purposes in 1959. Although in theory, there was supposed to be a new valuation roll in 1964, 5 years after the privious one, revaluation was commenced in Nairobi only in 1969 and in Kisumu it took place in late 1969. In Mombasa a new valuation is being contemplated. The explanation for the delay in revaluation was due largely to shortages in manpower, although it has also been argued that land values were probably lower in 1964 than should have been expected, because of uncertainties following independence, so that 1964 was not an opportune time for revaluation. The shortage of valuation personnel was no doubt the predominant factor. The new Kisumu and Nairobi valuation roles will take effect from 1971 and this should result in significant increments in the taxable base and in tax revenues. As other municipalities implement new valuation roles, rate income should increase significantly.

However, certain issues need to be settled in the area of rate income. One of these, is the advisability of continuing with the system of unimproved site value now used throughout the country. While the manpower situation should improve is the future, it is not certain that revaluation will be more frequent in future years thereby ensuring that the taxable base grows rapidly reflecting the increments in capital values. Even assuming that revaluations would be more frequent, certain problems in valuation remain as to relative accurate determination of site values. Market or sale evidence from sale of empty land plots will become increasingly difficult to get in built up areas especially city or town centres. A lot of room is therefore left to the individual judgement of valuers who will have to resort to indirect methods of valuation and opinions could vary significantly. Moreover, it should be noted that if revaluation are not frequent in the future, tax rates will have to go up to keep rate income responsive to expenditure growth. Under these circumstances the tax liability may become unbearably high on land owners who reside on their property. On the basis of this consideration and the additional one of increasing the taxable base, it may be desirable to broaden the tax base by including improvements and then reducing the tax rates from present levels.

There is, however, some fear in some quarters that an inclusion of improvements may create disincentives by discouraging investment in improvements particularly in office buildings and residential houses which are in critical demand. There is reason to believe that the rate of return on private investments in housing is very high since there are wide differentials in the rents of private housing and municipally supplied houses, yet municipalities by and large cover their costs as we shall show later. Therefore an inclusion of improvements should not raise any serious disincentive problems. What remains to be determined is the system of valuation to use. Either the system of capital value for both improvements and site value or the rental value system supplemented with a tax on vacant land plots could be used. Both systems have their problems and merits.

We are inclined to suggest the adoption of the rental value system supplemented with a tax on vacant land. The administrative requirements of this system of tax are less taxing, and if the market for housing is uncontrolled the taxable base is much easier to identify, as a lot of market evidence exists to guide the tax assessors. Also the taxable base can also be determined annually and as a result tax receipts are likely to grow more rapidly. Greater equity would also be maintained among tax payers. Increments in rents in an uncontrolled market reflect changes both in the capital value of the site and the improvement. The taxation of vacant plots is necessary to avoid land speculation and encourage productive use of the land. The main fear with this system however is that rental values may not reflect adequately the changes in capital value both on site and improvements. This is likely to be more so when there is rent control. The alternative which is theoretically more desirable is to use the capital value system for both site and improvements so as to reflect more fully increments in capital value. The effectiveness of this system depends heavily on the manpower situation which has been far from satisfactory. Even in the U.S.A. where valuation personnel is more abundant, determination of capital values has always posed a major problem and resulted in considerable inequlities among tax payers. On the other hand, the rental value system has worked fairly satisfactorily in the United Kingdom and in West Africa.

Income from Trading Activities

The local councils provide a considerable range of trading activities, the most important of which are housing, water supply and the provision of markets and shops. The ability of the local councils to expand these services depends on the surpluses if any, made in these activities. The overall financial position of the councils may also be advesely affected if deficits occur in these activities and have to be financed from general revenue. It is therefore essential to examine the profitability of these trading activities. In this area we shall rely largely on results obtained from the major municipal councils and a few country councils examined.

In housing, we find that in Mombasa there were substantial deficits in the housing account for public rental housing. These deficits, however, have been declining since 1964, although from 1964 to 1968 these deficits ranged from 40% of current revenue in 1964 to about 20-0% of current revenue in 1968. The deficit was reduced much further in 1969 when it amounted to only £9,680 or 7.5% of revenue, in comparison to values ranging from £37,213 in 1964 to £23,306 in 1968. In Nairobi, we find also that there were significant deficits in the housing account, which fluctuated from year to year reaching its lowest level of £27,875 or 3.7% of revenue in 1969. There were, however, years in which there were deficits as high as £80,000 (1968) or even £141,000 (1964). The deficits in these accounts, however, were mostly as the result of subsidies to some low cost housing projects. In Nairobi for example, the major housing account, the pooled rental housing scheme, was practically in balance throughout the period. The deficit resulted mostly from some privately built housing taken over by the city council and rented to lower income groups. There was also some small subsidy to hostels run by the council. In Kisumu, there was a system of cross subsidy within the housing account, where people living in newer and more expensively built houses were subsidised by those living in older houses, with the housing account though almost in balance. On the whole, however, the pricing principle which municipal councils sought to apply was full cost pricing, such that the total cost of the housing service was recovered without a profit being made. As we have seen this policy was not fully carried out because of subsidy to some low-cost housing schemes.

The advisability of subsidies of any sort to housing in the context of a developing country, especially Kenya, is subject to some question. The words of U.K. Hicks may guide us here. "However, attractive from a social point of view direct rent subsidisection may be, it is a dangerous policy for poor and developing countries. For the most part tax structures will not stand the extra drain especially for the sake of what at best, will be only a small sector of the community" (7). This is particularly relevant in Kenya where it is far from certain that it is the lowest income groups which live in the low income housing. If the poor people living in the "Mathare Valleys" get no subsidy for their housing, who is entitled to one? It is therefore essential that full cost pricing should at least be fully applied to all housing supplied by local councils.

The water supply accounts were run at substantial surpluses in Kisumu with surpluses running close to 45% of revenue. In Nairobi, there were also surpluses, although of relatively smaller proportion. The surpluses had fallen from £88 576 in 1966 to £22.190 in 1969. Charges were raised in 1970 in an attempt to increase profits. Full cost pricing was supossedly being used although in practice surpluses were consistently generated. Another significant trading service was the provision of markets and shops. This has proved to be quite a profitable enterprise for most of the councils we studied. Receipts from markets substantially exceeded the expenditure on markets in the municipal as well as county councils. Sewerage a major service in Nairobi showed a substantial deficit from 1964 to 1967 but then huge surpluses were made in 1968 and 1969. Breweries and beer shops were run invariably very profitably and in Mombasa the profits from this account were being used to stimulate development among the African Community. On the whole it can be concluded that the trading activities of the local councils were sources of net revenue rather than acting as a drain on the tax payer. It will also be desirable if the housing accounts were not only balanced but made to operate at a profit, so that some internal resources can be generated to aid in the expansion of critically needed housing for all income levels. The rents changed by councils are substantially lower than open market prices and could take some increments and still remain at reasonable levels.

Loans

Loans have become an increasing source of revenue in recent years for municipal councils. The volume of loans to municipalities increased 17% from £810,000 in 1964 to £2,183000 in 1969. Although loans to county councils also increased substantially from £7,000 in 1965 to £154,000 in 1969, it can be seen that they were of relatively little consequence. There are two major sources of loan funds to the local councils. These are the Local Government Loans Authority and the National Housing Corporation. The National Housing Corporation handles loans for housing, while the Local Government Loans Authority handles loans for other purposes. The National Housing Corporation gets its funds from the central government. The Local Government Loans Authority (L.G.L.A.) gets its funds from the central government, aid from foreign sources channelled through the central government, loan repayments, and deposits of funds from local councils which have idle balances. The local council deposits constitutes the largest source of L.G.L.A. funds.

Although the volume of loans to local councils has greatly increased, it seemed that the desire and the capacity of local governments, particularly the municipalities, to undertake additional capital formation through loan finance was being franstrated by inadequacy of loan funds from both the L.G.L.A. and the N.H.C. In the area of housing for example, the shortage is too well known for further expatiation. However it does not seem that the situation is being significantly improved especially in the area of low income housing. It is therefore highly desirable that the loan funds of these agencies should be increased. There is considerable slack in the loan market and there is no reason why the central government should not increase its volume of stock flotations and channel some of the proceeds into the loan agencies. Although in theory the local councils can borrow through stock or bond issues only the city of Nairobi currently does this. However the central government has to sanction Nairobi city stock issues and there are some indications that the central government is not accommodating the city council enough. Considering that there is a high level of competent officials at the City Council with regard to the management of their finances, and since the central government has itself had little difficulty in raising loans it needed, it would be desirable if greater flexibility could be given to the City Council as far as stock issues are concerned.

Government Grants

Government grants constituted a major source of county council revenue. They increased substantially (88%) between 1964 and 1969, although there were little significant increments between 1965 and 1968. There were two main types of government grants in the 1964 - 1969 period. These included road maintenance grants made to county councils to cover much of the cost of their road maintenance and grants to municipal councils to cover the estimated costs of maintaining trunk roads which passed through the jurisdiction of municipal councils. The other type of grant was a block grant which was made to county councils only. Grants constituted an insignificant source of revenue for municipal councils.

Although government grants to county councils increased substantially between 1964 and 1969, it would seem that the level of government grant was inadequate considering the responsibilities of the county councils and the difficulty of exploiting more fully their revenue sources. Central Government regulation made health services practically free after 1965 so that health fees brought an insignificant amount of revenue to county councils. School fees in some county councils had reached fairly high levels. For example in the Kisumu county council area, primary school fees were as high as 50/- per term in standards I - IV and 80/- in standard V - VII, from 1964 to 1967 and were raised respectively to 60/- and 80/- as from 1968. These fees were substantially higher than the 20/- per term being charged in Nairobi in some schools and 20/- in some Mombasa schools (the 20/- fee was raised to 25/- per term in 1969 in Mombasa). In Kisumu county, school fees were able to finance only about a third of education expenditures. This was roughly the case in all county councils taken together. Total school fees and total government grants for all purposes were insufficient to finance primary education in County Council areas. G.P.T. was therefore the only major available revenue source to meet the deficit in education, cover all health and road expenditure and contribute towards the general administrative and other expenditures. It is therefore not surprising that county councils were in constant financial crisis. Education which was a drain on their revenues could hardly be regarded as a totally local expenditure because of its substantial external effects. It is to be hoped that with the central government take over, the additional grant money that should have been given to county councils will now be used to increase the level and quality of services in county areas.

Cesses

Cesses are sales taxes collected on agricultural commodities which are marketed in significant commercial quantity and in many cases are collected from various produce boards which are responsible for the purchase of such items. The commodities on which the cess is levied varies from county to county depending on its agricultural development. Kiambu County Council for example derived significant revenues (£132674) from cesses particularly the cess on coffee which brought as much as £122,227 in 1969. Kiambu also imposed cesses on pyrethrum, charcoal, wattle bark, fruits and vegetables and hides and skins. Kisumu County Council on the other hand derived relatively small revenue from cesses because of the poor level of development of commercial agriculture in that area. Other County Councils probably fall somewhere between these extremes. Rates of taxation of these agricultural commodities ranged from 1% to 5% and in some cases the taxes are specific rather than advalorem. Cesses, however contributed about 5% of total county council revenue and increased at close to 50% from 1964 to 1969. In Kiambu and Kwale County which we visited we found that cess revenue had increased even faster. Further increases in the yields of cess revenue will depend on the rate of growth of commercial agricultural production. A detailed discussion of cesses will involve the likely effects of taxation on agricultural production and exports. This cannot be undertaken here. It should be noted, however, that there is considerable lack of order in the taxation of agricultural products. It would be preferable to move towards a more uniform system of taxation of marketed agricultural products to avoid unintended stimulation or retardation of certain lines of production, that is likely to occur under the present haphazard system of cesses.

Other fees and charges

Other fees and charges taken together constitute a substantial source of revenue although we have already discussed the major ones. We cannot discuss these other fees and charges here for lack of time. However, if revenue sources are to be fully exploited, local councils must pay attention to these fees and charges ensuring that their levels are increased with rising costs and increasing demand for additional public expenditures.

Conclusion

We have attempted in this paper to identify the major responsibilities of local government authorities in Kenya and related these expenditure responsibilities to sources of revenue. We discovered that the financial position of the municipal councils had deteriorated from 1964 to 1969, while county councils were shown to have been in financial difficulties throughout the period. We sought to idestify the main revenue sources and the factors impeding additional yields from the available revenue sources. We found that the main sources of revenue for municipal councils consisted of G.P.T., rates, school fees, income from trading activities, and loans. For county councils we found that G.P.T., school fees, government grants and cesses provided most of the revenue. We suggested that inorder to increase revenues, it was necessary to introduce progressivity into the G.P.T, improve its administration and for the central government to return the 50% of G.P.T. to Nairobi and Mombasa. For rates we argued that it would be advantageous to move to a system of taxation which broadened the tax base, increased the regularity of assessing the taxable base, while economising on manpower requirements and reducing arbitrariness in valuation. The rental value system was suggested despite its potential limitations. We found that the trading accounts of councils were generally operated on a profitable basis except housing where we called for a halt to subsidies. Loans were found to have increased considerably although the constraint on the funds of loan agencies made further expansion difficult, hence we suggested an expansion of the resources of the loan agencies. Government grants though having increased rapidly were shown to have been inadequate to the needs of county councils. In the area of cesses we called for a more uniform system of agricultural taxation. On the whole it can be said that local governments in Kenya have made a substantial contribution to development expenditure and resource mobilization, although the future is still full of challenge.

References

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1. P. Severeid: Local Government Regulations 1963 as Amended K.I.A.

2. See the 1970/71 Budget Speech of the Hon. Mwai Kibaki Minister of Finance for official explanation of the government action.

3. An extensive discussions of the benefit of these expenditures for development has been conducted in the development literature.

4. Planning Division Ministry of Economic Planning and Development: 1970-74 Development Plan p. 180.

5. Statistics Division M.E.P.D. Economic Survey 1970. p. 162.

6. For more on this See V.P. Diejomaoh: Financing Central Government Development Expenditure in Kenya. Institute for Development Studies University College Nairobi Discussion Paper No. 86. Nov. 1969.

7. U.K. Hicks: Development from below (Oxford London and New York) p. 476.

PERCENTAGE COMPOSITION OF TOTAL LOCAL GOVERNMENT EXPENDITURES

COUNTY COUNCILS

	1964	1967	1969*
Community Services			
Roads	10.8	10.6%	8.9
Sanitary	0.8	0.5	0.3
Other		0.2	@
Total	11.6	11.3	9.2
Social Services			
Public Health	9.6	9.3	9.1
Education	55.3	60.7	62.5
Other	3.1	1.9	1.9
Total	68.0	71.9	73.5
Economic Services			
Veterinary	n.a.	1.4	1.3
Agriculture	n.a.	0.3	0.3
Forestry	n.a.	0.2	0.2
Other	n.a.	0.1	0.1
Total	3.0	2.0	1.9

MUNICIPAL COUNCILS

	1964	1967	1969*
Community Services			
Roads	13.0	10.3	8.5
Sanitary Services	12.5	10.9	8.9
Other	4.2	2.0	1.8
Total	29.7	23.2	19.2
Social Services			
Health	8.0	10.0	9.8
Education	13.8	15.5	14.8
Housing	4.6	5.9	-
Other	3.8	5.3	5.4
Total	30.2	36.7	30.0
Trading Services			
Water Undertakings	10.3	12.9	8.0
Markets & Slaughter houses	1.7	1.3	1.6
Breweries & Beershops	1.4	2.0	2.3
Housing Estates	11.2	10.8	30.2
Shops Catering & leasing	0.9	0.7	-
Hostels	0.8	0.3	0.2
Other	1.9	1.6	1.8
Total	28.2	29.6	44.1

	1964	1967	1969*
Trading Services			
Water Undertakings	1.0	1.4	1.4
Markets & Slaughter Houses	1.1	1.2	1.2
Breweries & Beershops	0.5	0.6	0.3
Other	1.0	1.1	1.3
Total	3.6	4.3	4.2
Administration	10.7	8.6	9.1
Unallocable Expenditure	3.2	1.9	2.1
Total All Expenditures	100.0	100.0	100.0
Total Expenditure (value)	£8,970	£12,002	£15,916

Table 1

	1964	1967	1969*
Administration	10.3	7.3	6.5
Unallocable Expenditure	1.4	3.0	0.2
Total All Expenditure	100.0	100.0	100.0
Total Expenditures (value)	£8,567	£11,729	£14,972

Table 2

Sources: Compiled from M.E.P.D. Statistics Division. Economic Survey 1969 & 1970

Note * = Estimate, Values in £'000

SIGNIFICANCE OF CERTAIN ITEMS IN LOCAL GOVERNMENT EXPENDITURE

	1964							1969						
	Col 1 ÷Col 2	Central Govt.	All Local Author.	Munici-palities	County Counc.	Col 1+2	Col 2 ÷Col 5	Central Govt.	All Local Authorities	Munici-palities	County Councils	Col 1+2	Col 2÷Col 1	Col 2÷Col 5
		1	2	3	4	5	6	1	2	3	4	5	6	7
ducation	90.2%	£6.81	£6.14	£1.18	£4.96	£12.95	47.4%	£18.15	£12.15	£2.21	£9.94	£30.30	66.9%	40.1%
ealth	36.4	3.16	1.15	0.69	0.86	4.31	26.7	7.61	2.92	1.47	1.45	10.53	38.4	27.7
oads & Transp.	61.3	3.41	2.09	1.12	0.97	5.49	37.9	13.04	2.69	1.27	1.42	15.73	20.6	17.1

Table 3

Note: Money values are in millions of current Kenyan pounds.

Source: Compiled from Statistics Division MEPD. Economic Survey 1969 & 1970.

GROWTH OF LOCAL GOVERNMENT EXPENDITURES

	(1) Capital Format. All Cs.	(2) Capital Expend. All Cs.	(3) Capital Expend. Munici.	(4) Capital Expend. C. Cls.	(5) Public Sector Cpl Fm.	(6) Central Govt. C.Form.	(7) Gross Domest. C.Form.	(8) Central Govt. C. Form.	(9) Total Expend. All Cls.	Col 1÷Col 5	Col 1÷Col 6	Col 1÷Col 7
1963												
1964	£1.44		1.35		£11.08	£5.67	£45.14	£4.23	£17;537	13.0%	25.4%	3.2%
1965	1.37	1.37	0.96	0.41	11.89	8.35	46.54	6.98	19;422	11.5	16.4	2.9
966	1.87	2.30	2.01	0.29	19.37	10.64	61.21	8.77	21;454	9.7	17.6	3.1
967	3.67	3.87	3.60	0.27	28.53	16.43	87.30	12.76	23;732	12.9	22.3	4.2
968	5.31	4.49	3.96	0.53*	32.90	20.27	90.04	14.96	27;411	16.1	26.2	5.9
969	4.69*	4.60	3.92*	0.68*	31.44	23.17	95.46	18.48	30,889*	14.9	20.2	4.9
rowth Rates: 1964-69	225.7%		190.0% 65-69	66.0%	183.8%	308.6%	111.5%	336.9	76.1%			

Table 4

Source: Compiled from Statistics Division MEPD Economic Survey 1969 and 1970 monetary values in current Kenyan Million pounds.
* = Estimates.

BUDGET BALANCES OF LOCAL COUNCILS

	MUNICIPAL COUNCILS				COUNTY COUNCILS			
	Total Revenues Recurrent & Capital	Total Expenditure Recurrent & Capital	Surplus(+) Deficit(–)	Surplus or Deficit as % of Revenue	Total Revenues Recurrent & Capital	Total Expendi- ture Recurrent & Capital	Surplus(+) Deficit(–)	Surplus or Deficit as % of Revenue
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1964	£9,467	£8,567	+ £900	9.5%	£7,964	£8,970	£–1,006	12.6%
1965	9,783	8,645	+ 1,138	11.6	10,481	10,777	– 296	2,8
1966	10,534	10,497	+ 37	0.4	10,761	10,957	– 196	1.8
1967	11,373	11,730	– 357	3.1	10,713	12,002	–1,289	12.0
1968	11,826	13,829	– 2,003	16.9	12,822	13,582	– 760	5.9
1969*	13,403	14,973	– 1,570	11.7	14,230	15,916	–1,686	11.8
Growth Rates:								
1964–1969	41.6%	74.7%			78.7%	77.4%		

Table 5

Source: Compiled from Statistics Devision MEPD Economic Survey 1969 and 1970.

Money values in '000 current Kenyan pounds.

PERCENTAGE
UNTY COUNCILS,/SIGNIFICANCE OF FINANCE SOURCES IN TOTAL REVENUE

G.P.T.	Rates	Indirect Taxes	Income From Property	Interest on Investments	Sale of Goods & Services	Govt. Grants	Loans Raised
27.0	2.0	6.9	1.3	n.a.	32.9	24.0	n.a.
25.0	2.4	4.3	1.8	0.6	34.4	30.4	0.1
25.5	2.2	4.7	1.5	0.5	34.0	30.4	0.1
25.3	1.9	4.9	2.3	0.6	30.9	32.8	0.1
25.4	1.4	5.4	2.1	0.4	32.1	30.7	0.2
23.3	0.9	5.8	2.6	0.4	29.7	34.6	1.1
4.6%	-0.18%	49.1%	256.3%	n.a.	61.4%	88.1%	n.a.

Table 6

sion MEPD Economic Survey 1969 and 1970.

Misc.
5.9
1.0
1.1
1.2
2.3
1.6
-52.3%

MUNICIPAL COUNCILS/PERCENTAGE SIGNIFICANCE OF FINANCE SOURCES IN TOTAL REVENUE

	Total Revenue	G.P.T.	Rates	Indirect Taxes	Income from Property	Interest on Investments	Sale of Goods & Services	Govt. Grants	Loans Raised	Misc.
1964	100.0%	21.2	23.6	0.6	11.2	1.8	28.0	3.4	8.6	1.6
1965	100.0	24.1	21.7	0.7	10.6	3.1	28.9	4.0	4.4	2.5
1966	100.0	24.6	19.6	0.8	10.6	3.0	32.8	1.8	5.9	0.9
1967	100.0	23.6	19.3	0.6	10.0	3.1	28.4	1.9	11.9	1.2
1968	100.0	16.1	20.2	0.6	10.8	1.4	30.7	2.4	16.9	0.8
1969*	100.0	17.3	22.3	0.7	10.8	1.0	29.1	1.6	16.3	0.8
Growth Rates of Revenues:										
1964-1969	41.6%	16.1%	33.8	55.7%	37.6%	-20.7%	70.2%	-33.4%	169.8%	-34.0%

Table 7

Source: Compiled from Statistics Division MEPD Economic Surveys 1969 and 1970.

Note: * = Estimates.

	General Fund				
	Total Current Income	Total Exp. Current	Surplus	Col 3 as % of Col 4	Capital Outlay
	(1)	(2)	(3)		
1964	4,626,540	4,295,496	331,044	7.2%	417,917
1965	4,872,275	4,567,738	304,537	6.3	561.085
1966	5,457,474	5,140,238	317,236	5.8	587,462
1967	5,191,891	4,810,410	381,481	7.3	1,522,282
1968	5,283,136	5,192,616	90,520	1.7	2,179,062
1969	5,862,231	5,457,329	404,902	6.9	162,821

Table 8

Growth Rates:		
1964-1969	26.7%	27.0%

CITY COUNCIL

Water Account

	Current Income	Current Exp.	Surplus Current Account	Capital Exp.
	686,895	644,409	42,486	158,898
	721,510	644,589	76,921	37,482
	749,320	660,744	88,576	537,329
	800,562	713,743	86,819	473,904
	812,153	769,765	42,388	347,530
	883,486	861,296	22,190	84,770

Table 9

	28.6%	33.7%

MAIN CURRENT INCOME SOURCES - GENERAL FUND

	G.P.T.	Rates	Housing	Education	Sewerage	Cleansing	Road & Drains	Trading Services	Others	Total
1964	1,215,996	1,430,112	690,376	227,445	308,978	115,300	145,693	87,382	405,258	4,626,540
1965	1,418,117	1,398,969	707,587	241,111	313,260	124,275	120,778	103,523	444,655	4,872,275
1966	1,592,259	1,306,817	704,126	256,387	338,668	139,834	457,188	107,399	554,796	5,457,474
1967	1,632,856	1,381,532	708,323	285,081	352,635	125,821	110,031	107,645	487,967	5,191,891
1968	1,232,723	1,626,032	737,592	284,231	507,407	180,428	136,171	117,720	460,832	5,283,136
1969	1,332,773	2,119,661	766,315	372,849	524,448	203,784	62,814	136,546	343,041	5,862,231
Growth Rates:										
1964-1969	9.6%	48.2%	11.0%	63.9%	69.7%	76.7%	43.1%	56.3%	-15.4%	26.7%

Table 10

MAIN EXPENDITURE ITEMS

	Education	Public Health	Roads & Drains	Housing	Sewerage	Others	Total
1964	786,157	835,539	527,783	831,758	373,588	940,671	4,295,496
1965	960,717	947,847	524,970	756,333	380,674	997,197	4,567,738
1966	992,041	1,018,226	917,453	766,015	392,073	1,054,430	5,140,238
1967	1,087,259	1,029,778	580,822	736,211	385,817	990,523	4,810,410
1968	1,124,029	1,183,921	652,868	818,040	382,923	1,032,635	5,192,616
1969	1,336,503	1,33,993	547,415	792,977	407,505	1,038,936	5,457,329
Growth Rates:							
1964-1969	70.0%	59.7%	03.7%	-0.05%	9.1%	10.4%	27.0%

Table 11

NAIROBI CITY COUNCIL

Balances of Trading Accounts

	Housing				Trading Services				Sewerage			
	Current Income	Current Exp.	Deficit as	Deficit as % of Income	Current Income	Current Exp.	Surplus	Surplus as % of Income	Current Income	Current Exp.	Deficit Surplus	Deficit as of Income
1964	685,969	827,351	141,382	20.6%	87,382	93,306	-5,924	-6.8%	308,978	373,588	-64,610	20.9%
1965	702,589	751,335	48,746	6.9	103,523	97,617	5,906	5.7	313,260	380,674	-64,414	16.9
1966	702,257	764,146	61,889	8.8	107,399	104,963	2,436	2.3	338,668	392,073	-53,405	15.8
1967	706,391	734,279	27,888	3.9	107,645	95,016	12,629	11.7	352,635	385,817	-33,182	9.4
1968	735,328	815,801	80,473	10.9	117,720	103,756	13,964	11.9	507,407	382,923	+124,484	24.5
1969	762,625	790,500	27,875	3.7	136,546	117,566	18,980	13.9	524,448	407,505	+116,943	22.3

Table 12

Sources for Tables 8 - 12: Compiled from Abstracts of Accounts Nairobi City Council 1964-1969

Note: The surplus shown in 8 is that obtained in the General Revenue Fund before transfers were made for bad debts, contigent liabilities and major capital expenditure. A similar concept is used for the other Councils. Values are in current Kenyan pounds.

MOMBASA MUNICIPAL COUNCIL

	Current Income	Current Expenditure	Surplus Deficit	As % of Revenue Revenue	Total Capital Expenditure
1964	£1,257,000	£1,070,079	£186,921	14.9%	£ 98,636
1965	1,574,499	1,088,450	486,049	30.9	£110,757
1966	1,477,339	1,191,589	285,750	19.3	129,797
1967	1,633,363	1,410,851	222,512	13.6	411,322
1968	1,444,166	1,481,698	-37,532	2.6	n.a.
1969 (approx)	1,700,493	1,635,038	65,455	3.8	1,494,125
Growth Rates: 1964 -69	35.3%	52.8%			

Table 13

MAIN SOURCES OF CURRENT REVENUE

	G.P.T. (1)	Rates (2)	School Fees (3)	Housing Income (4)	Licences (5)	Interest (6)	Other (7)
1964	£529,408	£529,391	N.R.	£ 61,529	£14,977	£12,006	£191,689
1965	561,386	527,573	101,247	64,870	15,325	25,966	278,133
1966	597,[illegible]56	543,365	104,719	67,409	16,794	30,545	117,451
1967	638,913	549,634	112,393	105,818	17,972	33,376	175,257
1968	320,349	546,905	118,366	138,337	17,235	36,557	266,417
1969	332,298	638,000	120,233	166,686	36,000	40,000	367,276
Growth Rates: 1964-69	-25.7%	20.5%	18.8% (1965-1969)	170.9%	140.4%	233.2%	91.6%

Table 14

	MAIN CURRENT EXPENDITURE ITEMS				MOMBASA MUNICIPAL COUNCIL Housing Account				KISUMU MUNICIPAL COUNCIL		
	Education	Health	Roads	Housing	Current Exp.	Current Income	Deficit as % of Income	Deficit	Current Income	Current Exp.	Surplus Deficit
1964	193,901	260,464	64,794	81,269	£ 92,989	£ 55,776	£37,213	40.0%	£544,262	£488,037	£+56,255
1965	429				97,803	58,367	39,436	40.3			
1966					96,651	61,043	35,608	36.8			
1967					98,816	65,349	33,467	33.9	599,867	618,012	-18,145
1968					111,103	87,797	23,306	21.0	632,194	662,135	-29,941
1969*	429,894	375,523	94,100	176,286	128,360	118,740	9,620	7.5	696,002	728,163	-32,161
Growth Rates:											
1964 - 1969	121.7%	44.2%	45.2%	116.9%					27.9%	49.2%	

Table 15 — Table 16 — Table 17

Sources for Tables 13-16: Compiled from Abstracts of Accounts 1964 - 1967 and Estimates 1970 of Mombasa Municipal Council.
Monetary values are in current Kenyan pounds.

MAIN CURRENT REVENUE SOURCES

	G.P.T.	Rates	Municipal Dairy	Rental Housing	Water	School Fees	Others	Total
1964	£93,595	£ 80,516	£112,077	£23,832	£46,470	£14,598	£173,174	£544,262
1967	104,088	104,088	142,404	36,239	54,327	14,258	159,395	599,867
1968	105,001	90,289	158,070	44,970	57,880	14,932	161,052	632,194
1969	97,541	133,699	158,620	59,288	60,085	17,135	169,634	696,002
Growth Rates: 1964-69	4.2%	66.1%	41.5%	148.8%	29.3%	17.4%	-0.02	27.8%

Table 18

MAIN CURRENT EXPENDITURE ITEMS

	Cleansing Services	Public Health	Education	Municipal Dairly	Water supply	Adminis-tration	Rental Housing	Others	Total
1964	£60,945	£30,290	£64,325	£ 99,224	£26,839	£ 86,763	£23,832	£ 95,818	£488,037
1967	83,725	56,669	63,343	127,946	29,723	97,773	36,239	122,594	618,012
1968	90,091	60,195	66,710	139,020	31,795	102,070	44,970	127,284	662,135
1969	93,115	69,500	76,845	142,565	33,220	110,975	59,288	142,655	728,163
Growth Rate: 1964 - 1969	52.8%	129.4%	19.5%	43.7%	23.8%	27.9%	148.8%	48.9%	49.2%

Table 19

MAIN CURRENT REVENUE SOURCES

	G.P.T.	Rates	Municipal Dairy	Rental Housing	Water	School Fees	Others	Total
1964	£93,595	£ 80,516	£112,077	£23,832	£46,470	£14,598	£173,174	£544,262
1967	104,088	104,088	142,404	36,239	54,327	14,258	159,395	599,867
1968	105,001	90,289	158,070	44,970	57,880	14,932	161,052	632,194
1969	97,541	133,699	158,620	59,288	60,085	17,135	169,634	696,002
Growth Rates: 1964-69	4.2%	66.1%	41.5%	148.8%	29.3%	17.4%	-0.02	27.8%

Table 18

MAIN CURRENT EXPENDITURE ITEMS

	Cleansing Services	Public Health	Education	Municipal Dairly	Water supply	Adminis-tration	Rental Housing	Others	Total
1964	£60,945	£30,290	£64,325	£ 99,224	£26,839	£ 86,763	£23,832	£ 95,818	£488,037
1967	83,725	56,669	63,343	127,946	29,723	97,773	36,239	122,594	618,012
1968	90,091	60,195	66,710	139,020	31,795	102,070	44,970	127,284	662,135
1969	93,115	69,500	76,845	142,565	33,220	110,975	59,288	142,655	728,163
Growth Rate: 1964 - 1969	52.8%	129.4%	19.5%	43.7%	23.8%	27.9%	148.8%	48.9%	49.2%

Table 19

	MAIN CURRENT EXPENDITURE ITEMS				MOMBASA MUNICIPAL COUNCIL Housing Account				KISUMU MUNICIPAL COUNCIL		
	Education	Health	Roads	Housing	Current Exp.	Current Income	Deficit as % of Income	Deficit	Current Income	Current Exp.	Surplus Deficit
1964	193,901	260,464	64,794	81,269	£ 92,989	£ 55,776	£37,213	40.0%	£544,262	£488,037	£+56,255
1965					97,803	58,367	39,436	40.3			
1966					96,651	61,043	35,608	36,8			
1967					98,816	65,349	33,467	33.9	599,867	618,012	-18,145
1968					111,103	87,797	23,306	21.0	632,194	662,135	-29,941
1969*	429,894	375,523	94,100	176,286	128,360	118,740	9,620	7.5	696,002	728,163	-32,161
Growth Rates:											
1964 - 1969	121.7%	44.2%	45.2%	116.9%					27.9%	49.2%	
	Table 15				Table 16				Table 17		

Sources for Tables 13-16: Compiled from Abstracts of Accounts 1964 - 1967 and Estimates 1970 of Mombasa Municipal Council.
Monetary values are in current Kenyan pounds.

BALANCE OF MAIN TRADING ACCOUNTS

	MUNICIPAL DAIRY				WATER SUPPLY			
	Current Income	Current Exp.	Surplus	Surplus as % of Income	Current Income	Current Exp.	Surplus	Surplus as % of Income
1964	£112,077	£ 99,224	£12,853	11.5%	£46,470	£26,839	£19,631	42.2%
1967	142,404	127,946	14,458	10.2	54,327	29,723	24,604	45.3
1968	158,070	139,020	19,050	12.1	57,880	31,795	26,085	45.1
1969	158,620	142,565	16,055	10.1	60,085	33,220	26,865	44.7

Table 20

Note: For Tables 17-20 the 1968 figures for total current income and expenditure, Municipal dairy, Rental housing, water and administration are probable figures. While for 1969, the figures for the above are estimates.

Sources for Table 17-20: Abstracts of Accounts & Estimates of Kisumu Minicipal Council.
Money values in Kenyan pounds.

	Total Current
1964	£513,001
1967	586,958
1968	773,152
1969	830,530

Growth Rate:

1964 – 1969	61.9%

KISUMU COUNTY COUNCIL

Total Current	Deficit(-) Surplus(+)	Deficit or Surplus as % Income
£562,771	£-49,769	9.7%
666,257	-79,299	13.5
764,598	+ 8,554	1.1
833,873	- 3,343	0.4

48.2%

Table 21

MAIN CURRENT INCOME SOURCES

	G.P.T.	Market Fees	School Fees	Govt. Grants	Others	Total
1964	£ 98,324	£13,633	£195,303	£171,328	£34,413	£513,001
1967	166,448	13,095	162,726	205,921	37,768	586,958
1968	197,283	12,231	187,719	340,440	35,479	773,152
1969	175,752	13,132	242,144	356,532	42,970	830,530
Growth Rate: 1964-1969	78.7%	-3.7%	24.0	108.1%	24.9	61.9%

Table 22

MAIN CURRENT EXPENDITURE ITEMS

	Education	Public Health	Roads	Others	Total
1964	£425,169	£47,579	£22,737	£67,286	£562,771
1967	482,243	60,349	31,135	92,530	666,257
1968	591,271	64,658	31,327	77,342	764,598
1969	643,893	63,863	37,845	88,272	833,873
Growth Rate: 1964-1969	51.4%	34.2%	66.4	31.2	48.2%

Table 23

Sources for Tables 21-23: Compiled from Abstracts of Accounts Kisumu County Council 1964-69. Money values are in current Kenyan pounds.

KIAMBU COUNTY COUNCIL

	Current Income	Current Exp.	Deficit	Deficit as % of Income
1964	£690,827	£714,454	£-23,627	3.4%
1967	772,055	865,945	-93,890	12.2
1968	875,515	1,075,546	-131,872	15.1
1969	1,075,546	1,102,132	-26,586	2.5
Growth Rate: 1964 - 1969	55.6%	54.3%		

Table 24

Main Current Income Sources

	G.P.T.	Cases	School Fees	Govt. Grants	Others	Total
1964	£194,499	£29,865	£210,984	£200,438	£55,041	£690,827
1967	216,576	13,104	249,163	242,587	50,625	772,055
1968	252,598	77,218	266,796	224,652	54,251	875,515
1969	222,079	132,674	280,926	371,955	67,912	1,075,546
Growth Rate: 1964 - 1969	14.2%	344.2	33.2%	85.6%	23.4%	55.6%

Table 25

MAIN CURRENT EXPENDITURE ITEMS

	Education	Health	Roads	Others	Total
1964	£484,034	£ 44,054	£53,459	£132,907	£ 714,454
1967	605,740	74,521	72,116	113,568	865,945
1968	759,653	87,136	39,976	120,622	1,007,387
1969	824,612	101,723	54,121	121,676	1,102,132
Growth Rate: 1964-1969	70.4%	130.9	1.2%	-8.5%	54.3%

Table 26

BALANCE MAIN TRADING ACCOUNTS

	Water Supplies				Markets & Trade			
	Current Income	Current Exp.	Deficit	Deficit as % of Income	Current Income	Current Exp.	Surplus	Surplus as % of Income
1964	n.a.	n.a.	n.a.	n.a.	£17,923	£ 7,259	£10,664	59.5%
1967	£5,349	£23,283	£17,934	335.3%	25,545	9,275	16,270	63.7
1968	5,873	23,885	18,012	306.7	27,090	11,517	15,573	57.5
1969	7,742	26,832	19,090	246.6	26,565	12,460	14,105	53.1

Table 27

Sources for Table 24-27: Compiled from Abstracts of Account of Kiambu County Council 1964 - 1969.
Money values in current Kenyan pounds.

KWALE COUNTY COUNCIL

	Current Income	Current Exp.	Surplus Deficit
1964	£ 65,965	£ 76,115	£-10,150
1967	190,019	184,784	+ 5,235
1968	197,651	195,239	+ 2,412
1969	249,994	228,066	+21,928
Growth Rates:	279.0%	199.6%	

Table 28

MAIN REVENUE SOURCES

	G.P.T.	School Fees	Govt. Grants	Cases	Others	Total
1964	£26,443	n.a.	£11,634	£ 7,479	n.a.	£65,965
1967	50,448	20,634	39,563	8,664	15,827	135,136
1968	64,275	26,190	42,690	11,171	53,325	197,651
1969	78,218	17,468	88,789	22,010	43,509	249,994
Growth Rates:	195.8%	n.a.	663.2%	194.3%	n.a.	279.0%

Table 29

Sources for Table 28 and 29: Compiled from the Abstracts of Accounts of the Kwale County Council. Money values in current Kenyan pounds.